What's on Our Minds

May 18, 2026

MARKET HIGHLIGHTS

- **Rising global bond yields** were arguably a bigger factor driving equity markets last week than artificial intelligence, earnings, or the generally favorable economic data. Valuations are now being challenged by tightening financial conditions and ever more attractive fixed-income yields.
- **WTI oil broke above $100 per barrel**—up nearly 10% on the week—as US–Iran negotiations stalled after President Donald Trump deemed Iran's response to the US peace proposal "unacceptable."
- **Inflation updates dominated the economic data,** with investors closely watching how rising commodity prices from the war are passing through to broader inflationary pressure. Consumer prices rose 0.6% in April, while producer prices rose 1.4% on the month.
- **The so-called bond vigilantes have grown emboldened,** as global central banks are unlikely to ease given current inflationary pressures. The loss of fiscal discipline will likely keep global rates higher than warranted by the weaker demographics in most developed economies.

MARKET PERFORMANCE

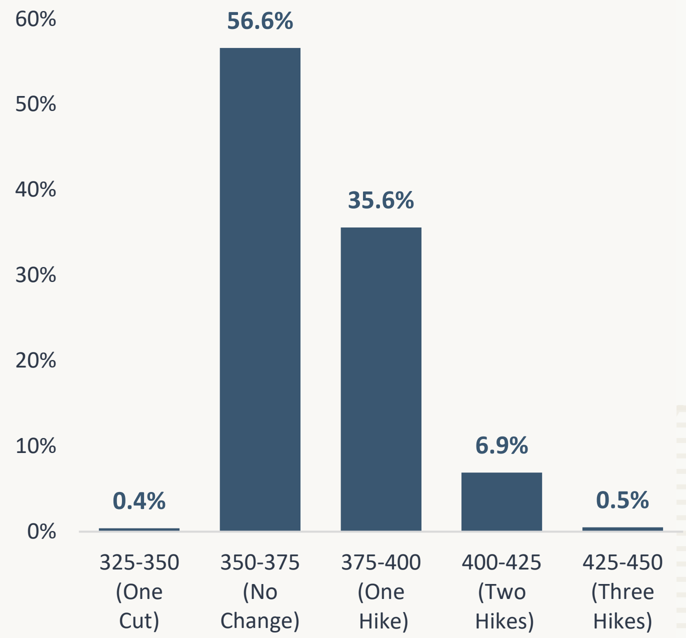
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	-1.14%	-0.71%
Municipal Bonds 1-10Y	-0.40%	0.10%
U.S. High Yield	-0.50%	0.82%
S&P 500	0.17%	8.70%
Russell 2500 (SMID cap)	-2.26%	13.40%
MSCI EAFE (International)	-1.56%	5.92%
MSCI Emerging Markets	-2.45%	19.51%
MSCI ACWI (Global)	-0.55%	8.92%
Crude Oil (NYMEX WTI)	3.87%	84.23%
Gold LBMA PM	-4.25%	3.67%
60/40 ACWI/Agg Portfolio	-0.79%	5.07%

WHAT CAUGHT OUR EYES THIS WEEK

Yields Are on the Move Again

The 10-Year US Treasury yield is back above 4.5%, near the top end of its trading range for the past few years. This is not an alarming level yet, but it is something to keep an eye on. At the same time, federal funds futures markets are increasingly betting that new Federal Reserve Chair Kevin Warsh's first move will be a rate hike, not a rate cut. Last week's slew of inflation data reinforced the impact the war in Iran is currently having on prices, with the headline Consumer Price Index up 3.8% year over year and headline Producer Price Index up 6.0%. With the Strait of Hormuz still closed nearly three months into the conflict, the cumulative global supply shortage grows more acute by the day. The economic impact is proving to be bifurcated, with energy importers bearing the brunt of the stagflation shock. But as we see from recent moves in US rates and monetary policy expectations, no one is fully immune from global shocks in our interconnected world.

Target-Rate Probabilities for the Federal Reserve Meeting on December 9, 2026



Please see important disclosures and other key information on page 4.

What's on Our Minds

May 18, 2026

OUR CURRENT OUTLOOK

- **The U.S. economy is resilient**, but softer labor markets translate into slower (albeit still positive) trends for consumer spending.
- **Our current expectations of a recession in the next 12 months are moderately low**, which should allow credit spreads to remain tight.
- **Benefits from the One Big Beautiful Bill Act will accelerate in 2026**, providing a tailwind for consumer spending and capital expenditures.
- **The Federal Reserve is still looking to cut interest rates**. We expect one or two cuts for 2026.
- **We expect S&P 500 profits to continue with their momentum from 2025**, growing in the low to mid-teens again in 2026, and broadening to create new sector leaders in the equity markets.
- **AI capital spending, driven by the hyperscalers, should continue to boost the U.S. economy**, fueling productivity gains and infrastructure growth.
- **Potential risks to our outlook include** disappointments in return on investment for AI spending, growing signs of speculative excess in certain pockets of equity markets, continued geopolitical uncertainty, and further deterioration in foreign sentiment for U.S. dollar assets.

IN CASE YOU MISSED IT

INSIGHTS

Video: May 2026 Economic and Market Outlook

Financial Planning for DINK (Dual Income, No Kids) Households

First Quarter 2026 Review and Second Quarter 2026 Economic and Market Outlook

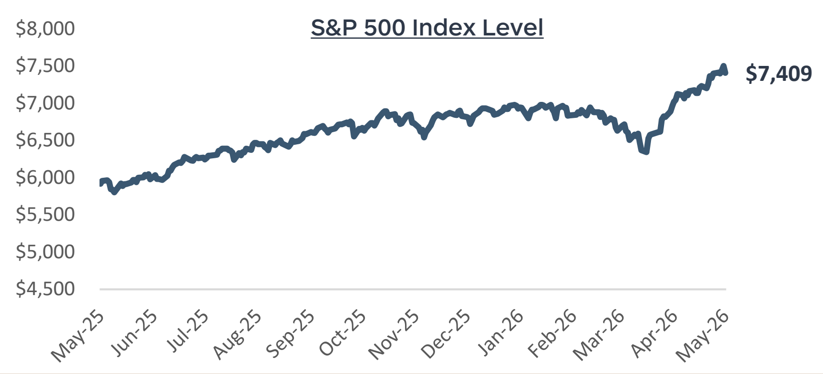
ARCHIVE

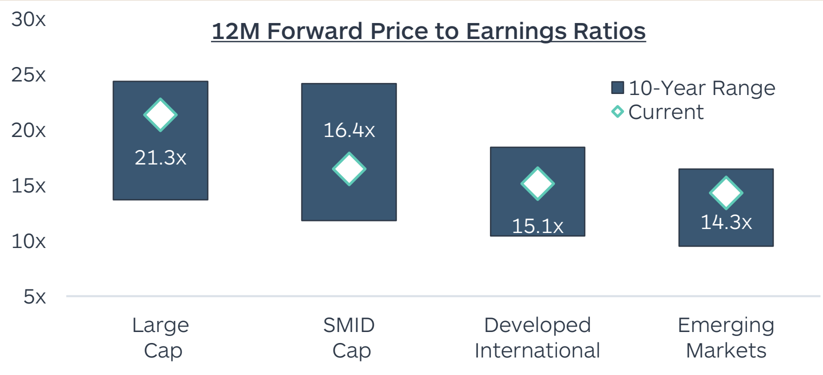
Historical Economic and Market Outlooks Insights

WEBINARS

Recording: Q2 2026 Market & Economic Outlook

EQUITIES





S&P 500 SECTOR	1-WEEK	YTD
Energy	7.03%	33.50%
Consumer Staples	1.30%	12.16%
Information Technology	1.21%	17.24%
Health Care	1.06%	-5.86%
Financials	-0.28%	-6.16%
Comm. Services	-0.84%	11.40%
Industrials	-1.10%	10.84%
Utilities	-1.93%	3.49%
Materials	-2.21%	10.45%
Real Estate	-2.55%	8.72%
Consumer Discretionary	-3.04%	0.62%

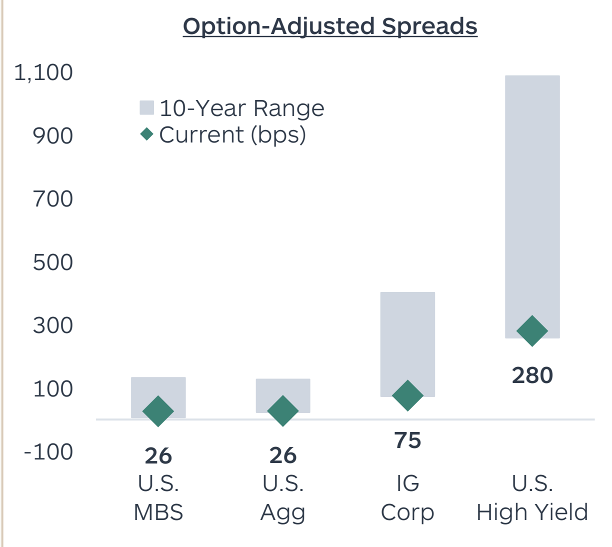
Please see important disclosures and other key information on page 4.

What's on Our Minds

May 18, 2026

FIXED INCOME

KEY INTEREST RATES	5/15/2026	Δ YTD
Municipal Bonds 1-10Y	3.24%	0.27%
Effective Federal Funds Rate	3.63%	-0.01%
3M T-Bill	3.68%	0.05%
10Y Treasury Yield	4.59%	0.43%
U.S. Aggregate	4.81%	0.49%
30Y Mortgage Rate	6.46%	0.20%
Prime Rate	6.75%	0.00%
U.S. High Yield	7.45%	0.37%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	5/15/2026
Crude Oil	$105.49
Gold	$4,528.00
U.S. Dollar Index	$99.28
Bitcoin	$79,210.00

From headlines to horizon, discover how smart insights can shape your financial future. Visit the Cerity Partners website for more information.

THE WEEK AHEAD

May 18 (Mon.)
May NAHB Housing Marke Index

May 19 (Tue.)
Apr. Pending Home Sales

May 20 (Wed.)
FOMC Minutes

May 21 (Thu.)
Initial Claims

Apr. Housing Starts

May. S&P PMIs

May 22 (Fri.)

Coming Up
Apr. Personal Income and Expenditures (5/28)

Please see important disclosures and other key information on page 4.

What's on Our Minds

May 18, 2026

ABBREVIATIONS: Agg: Aggregate. EM: Emerging Markets. SOFR: Secured Overnight Financing Rate. MBS: Mortgage-backed securities. IG: Investment Grade.

CHART OF THE WEEK: Cerity Partners, CME FedWatch, 5/18/2026

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 5/15/26. Underlying indices are in descending order: Bloomberg US Aggregate provided by Bloomberg Capital; Bloomberg Municipal Bond 10 Yr provided by Bloomberg Capital; ICE BofA US High Yield Index provided by Bloomberg Capital; S&P 500; provided by: Standard & Poor's. Index; Russell 2500; provided by: Russell Investments; MSCI Europe, Australasia, and the Far East (EAFE) provided by MSCI net official pricing; MSCI EM provided by MSCI net official pricing; MSCI All Country World Index (ACWI) provided by MSCI net official pricing; Crude Oil (WTI) provided by CME; LBMA Gold Price PM provided by FactSet. The 60/40 ACWI/Agg Portfolio (60% ACWI / 40% AGG) is not a recommendation and is provided for reference purposes only.

EQUITIES: Top Left-hand Chart. S&P 500 Index Level as of 5/15/26 and provided by Standard & Poor's. Bottom Left-hand Chart. Forward Price to Earnings Ratios refers to the price-to-earnings ratio for the forward 12 months, which is a valuation measure applied to respective broad equity indices as of 5/15/26. Large Cap data is proxied with the S&P 500 and provided by FactSet. SMID data is proxied by the Russell 2500 and provided by FactSet. Developed International data is proxied with the MSCI EAFE and provided by FactSet. Emerging Markets data is proxied by the MSCI EM and provided by FactSet. S&P 500 Sector performance table. Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends. 1-Week and Year-to-Date (YTD) returns are as of 5/15/26.

FIXED INCOME: Top Table. Effective Federal Funds Rate provided by FactSet. Composite Municipal Bond Yield provided by FactSet. Bloomberg US Aggregate provided by FactSet. 3-Month Treasury Bill rate provided by FactSet. 10-Year Treasury Yield provided by FactSet. 30-Year Mortgage Rate provided by FactSet. ICE BofA US High Yield Index provided by FactSet. Prime Rate provided by FactSet. Bottom Table. Option Adjusted Spreads as of 5/15/26. Bloomberg US Aggregate Securitized – MBS, Bloomberg US Aggregate, ICE BofA US Corporate, ICE BofA US High Yield data provided by Bloomberg Capital.

COMMODITIES, CURRENCIES, CRYPTO: WTI NYMEX Crude Oil provided by FactSet. Gold is proxied with the LBMA Gold PM and provided by FactSet. Bitcoin is proxied by the Bitcoin (CME) Continuous index and provided by FactSet. U.S Dollar prices are proxied with the U.S. Dollar Index and provided by FactSet.